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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000698

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SUBJECT: SIGIR DEPUTY IG RAPHEL'S VISIT TO KUWAIT

REF: KUWAIT 600

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d).

11. (C) Summary. On April 30, Special Investigator General for Iraq Reconstruction (SIGIR) Deputy IG Ambassador Robin Raphel met separately with Kuwait and Gulf Link Transport Company (KGL), Marwan Al-Ghanim of the Kuwait Fund for Arab Economic Development (KFAED), and the GOK's Humanitarian Operations Center (HOC) to discuss Kuwait's involvement in Iraq reconstruction efforts. KGL has organized a conference in the UAE June 7-8 to connect Iraqi entrepreneurs with investors and international organizations in an effort to facilitate the development of small enterprise in Iraq. KGL presented Ambassador Raphel with a blueprint for a non-profit organization that would partner with Iraqi governorates to facilitate financial assistance and investment for small and medium enterprises (SMEs) in these governorates and asked for assistance in getting the organization off the ground (see Reftel for KGL's brief to Iraq Coordinator Satterfield on the proposal). The Kuwait Fund's Al-Ghanim said he hoped the Iraq Compact would be signed on May 3 but was dubious about its real impact given continuing Iraqi political instability. General Al-Mumin of the HOC said his organization's status is reviewed yearly, and Ambassador Raphel urged him to advocate keeping the HOC operating as long as Iraq remains unstable. End Summary.

Non-Profit Org Proposed to Assist Iraqi SMEs  
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12. (C) On April 30, SIGIR Deputy IG Ambassador Robin Raphel, accompanied by SIGIR Director of Publications Victoria Butler, met with KGL Chairman and Managing Director Saeed Esmail Dashti and members of his staff to discuss KGL's involvement in Iraq reconstruction. Dashti said KGL is involved with transport, warehousing, and logistics in Iraq. Dashti was eager to brief Ambassador Raphel on the same proposal pitched to Ambassador Satterfield on April 23 (Reftel), and provided details about the development of the idea. In the course of its operations, Dashti said KGL had been approached by numerous Iraqi entrepreneurs and governorate officials seeking assistance with projects, mainly in agriculture and light industry. Because these projects fall outside the scope of KGL's core business, Dashti said KGL is not interested in direct investment. However, a review of the projects (179 in total, including 70 Dashti described as "bankable") showed that many were solid proposals that could succeed with investments of between \$500,000 and \$10 million, and that because the projects originate in and are identified by Iraqi governorates, they are tailor-made for local needs. Dashti said Iraqi entrepreneurs lack knowledge of the international financial

system and do not know how to connect with investors, and that many have been taken advantage of by banks playing on that knowledge deficit. Many of these entrepreneurs, he said, are now reluctant to approach banks for financing.

13. (C) Dashti said KGL tried to steer these entrepreneurs to organizations such as the International Finance Corporation (IFC) and the Overseas Private Investment Corporation (OPIC), but was "struck with the difficulty" of fully exploiting these resources. For example, he noted that lines of credit secured by IFC for SMEs with various banks (Al-Ahli Bank of Iraq, Dar Al-Salam Bank, Ashour Bank) were not being used. As a solution, KGL has developed a proposal to establish a non-profit "Iraq First" organization. Dashti explained that Iraq First would serve as a hub for Iraqi entrepreneurs to interact with international organizations such as IFC and OPIC to facilitate SMEs. Iraq First would also educate Iraqis about how to deal with banks and investment vehicles. As a first step, KGL has organized a conference June 7-8 in Ras Al-Khamiah, UAE, which Dashti said will be attended by the IFC, more than 100 Iraqis, and over a hundred other international participants. Dashti said KGL is not prepared to run Iraq First, and asked Ambassador Raphel for advice in getting the organization up and running.

14. (C) Ambassador Raphel noted that American PRTs exist in many Iraqi provinces and are designed to work with provincial governorates on a variety of issues. Iraq First, she said, is consistent with USG goals for Iraqi economic development and reconstruction. Dashti could not clearly say how Iraq First would operate or who would fund the organization, but he insisted that the best approach would involve a head office outside of Iraq with branches co-located within provincial governorates and be "branded" as an Iraqi

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organization. Ambassador Raphel agreed on the branding approach. Dr. Mahdy Al-Jazzaf, a KGL official in attendance who previously worked at the World Bank, suggested former World Bank official Christian Portman as a candidate to head the organization.

Kuwait Fund Official Dubious About Iraq Compact  
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15. (C) Marwan Al-Ghanim, Director of the Arab Countries office at the Kuwait Fund for Arab Economic Development (KFAED) told Ambassador Raphel that "security is still the main concern" in Iraq, and that he continues to be frustrated with the difficulty of spending the \$560 million in assistance allocated by the GOK for Iraq assistance. Regarding the \$440 million designated as a concessional loan, Al-Ghanim said part of the delay has been because the Iraqis were slow to understand the need for feasibility studies, and he highlighted a proposed power plant project that had to be re-tendered because the GOI failed to research what the project should cost before putting out the tender. He did say, however, that he expects to receive concrete project details from the Iraqis "soon," and that he is cautiously optimistic, although nervous, about reaching a decision point about the loan money. Al-Ghanim said he is considering contracting with the World Bank to implement projects under the concessional loan and is waiting for feedback on what the Bank would charge.

16. (C) In response to Ambassador Raphel's question, Al-Ghanim said he expects the International Compact on Iraq (ICI) to be signed at the upcoming meeting on May 3 in Egypt, but that he "did not know if it will be just a piece of paper or really implemented." He said he "does not believe everyone, especially the Iraqis, is ready to meet their ICI commitments," and that Iraq is too unstable politically to carry out the proposed reforms and timelines.

17. (C) Ambassador Raphel met separately with General (Ret.) Ali Al-Mumin, Chief of the Humanitarian Operations Center

(HOC). Al-Mumin explained the HOC's role in facilitating the work of NGOs operating in Kuwait and Iraq, and in assisting with immigration issues for Iraqis seeking entry to Kuwait for medical treatment. Al-Mumin said the HOC's status is reviewed yearly and that it will remain open as long as there is a need for its services. Ambassador Raphel thanked Al-Mumin for his work, and urged him to advocate keeping the HOC operational as long as Iraq remains unstable.

18. (U) This message has been cleared by Ambassador Raphel.

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LeBaron